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LOCAL ORGANIZATION PRE-AWARD SURVEY

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Purpose of the Local Organization Pre-award Survey (For annual awards <\$5,000,000)

USAID has designed three tools to support local capacity development. Missions may amend them as appropriate for their local or regional context.

1. **Mapping Exercise** - conducted for the identification of potential partners, clients and other stakeholders.
2. **Local Organization Pre-award Survey** (LOPAS) - a selection tool, to determine a potential partner's responsibility and whether special award conditions may be required.
3. **Organizational Capacity Assessment** (OCA) - conducted after award is made, as a guided capacity self-assessment tool.

Conducting a Local Organization Pre-award Survey (LOPAS) is recommended as a tool for making a responsibility determination of a nongovernmental local (meaning a non-U.S., host country organization, as further defined below) organization that is being considered for a USAID-supported award or acquisition (grant or contract).

The pre-award survey precedes an award and is used in the selection process. Additionally, it is not intended as a substitute for an organizational capacity assessment (OCA), or the associated capacity development action plans as contemplated by USAID Forward's **Local Capacity Development** (LCD) reform efforts. The LOPAS and OCA are complementary tools designed for different purposes and time periods. The results of a pre-award survey should inform a subsequent OCA.

A LOPAS, using the following matrix, should be performed for awards under \$5,000,000 per year (**ADS 591.3.2.1, Foreign Organizations**, effective 03/18/2010). Over that amount, the local organization must undergo a formal audit as required by the **Guidelines for Financial Audits Contracted by Foreign Recipients** and the **Mandatory Standard Provisions for Non-U.S. Nongovernmental Recipients** (see a Mandatory Reference for **ADS 303** revised 06/22/2011).

LOPAS objectives:

1. To determine whether the organization has sufficient financial and managerial capacity to manage USAID funds in accordance with U.S. Government and USAID requirements, and
2. To determine the degree of support and oversight necessary to ensure proper accountability of funds provided to the recipient.

The LOPAS will help determine whether the accounting system is adequate to protect the U.S. Government's interests. In addition, it will determine if the organization has the financial management capacity to handle a USAID activity, and it will help evaluate and obtain a sufficient understanding of an organization's internal controls related to a USAID activity. It provides the Agreement Officer with relevant and appropriate information to evaluate the capacity of a local organization in terms of its ability to perform the terms of an award, and provide a tool to aid in the selection of potential local partners.

If an organization does not meet certain minimum requirements (i.e., Scoring a "1"), and otherwise is found responsible, the AO or CO can use special award conditions to find the organization responsible (**FAR 9.103[b]**). Not all sub-criteria will necessarily be of equal weight as each award and prospective partner presents unique circumstances. The "responsibility determination" calls for the application of professional judgment based on all relevant facts and circumstances known to the AO.

To be considered a “local” organization, an entity must:

- Be organized under the laws of the recipient country;
- Have its principal place of business in the recipient country;
- Be majority owned by individuals who are citizens or lawful permanent residents of the recipient country or be managed by a governing body, the majority of whom are citizens or lawful permanent residents of a recipient country; and
- Not be controlled by a foreign entity or by an individual or individuals who are not citizens or permanent residents of the recipient country.

The term “controlled by” means a majority ownership or beneficiary interest as defined above, or the power, either directly or indirectly, whether exercised or exercisable, to control the election, appointment, or tenure of the organization’s managers or a majority of the organization’s governing body by any means, e.g., ownership, contract, or operation of law.

“Foreign entity” means an organization that fails to meet any part of the “local organization” definition.

Government controlled and government owned organizations in which the recipient government owns a majority interest or in which the majority of a governing body are government employees, are included in the above definition of local organization.

Scale of Assessment:

Appropriate (Scoring 4)	On an overall basis, a <u>strong</u> control framework is in place given the inherent business risks. Some improvements may be recommended to routine detailed control activities. (Has no risk or low risk.)
Adequate (Scoring 3)	Although a control weakness was noted, compensating controls and other factors exist to reduce the residual risk within the organization to <u>acceptable</u> levels. (Has at least one medium risk.)
Weak (Scoring 2)	Significant control weaknesses could expose the organization to <u>unacceptable/inadequate</u> levels of unmanaged risk. (Has at most one high risk.)
Inadequate (Scoring 1)	Significant control weaknesses could expose the organization to significant financial or other loss or otherwise significantly <u>impair its ability to manage</u> USAID funds. (Has more than one high risk.)

Instructions for using the survey:

Assemble the right team for the LOPAS. In most situations, the scope of the LOPAS will be quite broad, encompassing legal structure, accounting and other financial systems, procurement systems, human resources, performance management and organizational sustainability indicators. The assessment needs to be undertaken by a multi-disciplinary team of reviewers with the appropriate expertise and experience (including FSN staff). A typical team (**ADS 303.9.1c**) consists of:

- ✓ An AOT member
- ✓ The AO or designated OAA specialist
- ✓ A financial officer/analyst from the Mission or Regional Controller's office, and
- ✓ One or more representatives of the cognizant RIG/A, if possible.

Prior to conducting the LOPAS, each reviewer should be familiar with the description and requirements of the award as well as the country conditions within which it will be implemented.

If a certain criterion is not relevant given the nature, scope and requirements of the award and the country situation or context, the LOPAS should be modified to meet Mission's explicit requirements and interests. Missions are encouraged to add areas to be evaluated based on their specific needs.

The illustrative capabilities and attributes listed under each of the four columns (1.1 through 6.2) need not be present in all cases to support a particular score.

Low scores in areas considered critical to comply with USAID requirements, or considered to be a priority to the Mission and/or program, may prevent the organization from receiving an award, or the AO may choose to make an award with special award conditions. In the event a local organization receives an award with special award conditions, the Mission should develop a plan to support and monitor progress of the recipient in satisfying the special award conditions. The plan would complement the organizational capacity assessments (OCA) and the associated capacity development action plans contemplated by USAID Forward's **Local Capacity Development** (LCD) reform efforts.

Other elements affecting a determination of responsibility can be taken into consideration such as: performance, education, knowledge and experience of finance staff, tone of management, sensitivity to internal controls, and commitment of management and employees to the organization's mission.

Items to Request from the Organization:

During the Mapping Exercise, Mission may have requested documentation from the potential partner. For the LOPAS, these items should be provided by the organization for USAID review:

- Articles of Incorporation or Charter
- Record of legal Registration; other material licenses and permits
- By-laws
- Mission Statement
- Organizational Chart with supporting documentation as to the delegation of authority
- Name of commercial bank and account numbers

- Chart of Accounts and corresponding General Ledger
- One or more annual financial statements (income and expenditure report and balance sheet)
- Audit report of the most current audit
- Written procurement policies
- Personnel manual/time sheets/activity reports or other personnel time tracking systems
- Copy of travel policies and procedures
- List of funding sources (current year)
- Any additional data needed to conduct prudential ratios (specific to the organization, such as current ratio, acid test ratio, defensive interval or working capital ratio)

Definitions:

For the purposes of the Local Organization Pre-award Survey, the following definitions are applicable:

“Capacity” refers to the ability of a prospective recipient to perform and achieve the objectives of the award in accordance with applicable requirements: technical, operational, financial management and reporting, procurement, sub-award management, legal, policy, and other requirements of the award including any special award conditions.

“Deficiency” is a material failure to meet a requirement of the award or a combination of **“Significant Weaknesses”** that increases the risk of unsuccessful performance of the award to an unacceptable level.

“Responsibility determination” (for USAID grants and cooperative agreements) refers to the pre-award process for making a determination in accordance with ADS 303 (Grants and Cooperative Agreements to Non-Governmental Organizations) that a prospective recipient is “responsible” – that the prospective recipient is eligible for the award and (as stated in ADS 303.3.9) *“has the capacity to adequately perform the award in accordance with the principles established by USAID and the Office of Management and Budget (OMB).”*

“Risk” refers to the probability of occurrence and the potential magnitude of the impact of an adverse attribute, vulnerability, threat, transaction, or other event that will or may have an adverse impact on the achievement of objectives or otherwise result in loss or harm.

“Risk management” refers to the overall process concerned with the systematic identification, analysis, measurement, control, and minimization of risks with an expectation of decreasing the probability of their occurrence.

“Weakness” means a flaw or adverse attribute, including a deficit in capacity, that increases the risk of unsuccessful performance of the award. A **“Significant Weakness”** is a significant flaw or attribute, including a significant deficit in capacity, that appreciably increases the risk of unsuccessful performance of the award.

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First Criterion: Legal Structure

CAPACITY ¹ AND RISK AREAS TO REVIEW	SCORING 4 (HIGHEST SCORE) Strong Capacity No Deficiencies or SW ² Low Risk	SCORING 3 Adequate Capacity No Deficiencies SW (if any) Remediable Before Award Low to Moderate Risk	SCORING 2 Weak Capacity Some Deficiencies and SW Not Easily Remediable Before Award Moderate to High Risk	SCORING 1 Inadequate Capacity Key Deficiencies and SW Not Remediable Before Award High Risk
1.1 Local Organization Definition: Confirm compliance with USAID 'local organization' definition. <i>[Only applicable if the Mission intends to limit competition to local organizations.]</i>	Organization <u>meets the definition</u> and has stable conditions for maintaining such status.	Organization meets the definition and there are <u>some contingencies</u> <u>or conditions</u> that make maintaining such status challenging or uncertain.	Organization does not meet the definition and <u>has a plan</u> by which it will meet the definition within 2 – 4 months.	Organization does not meet the definition and <u>has no plan</u> or capacity to change.
1.2 Compliance with Registration and Other Legal Requirements: Confirm compliance with legal registration requirements and other material licenses, permits, laws and regulations.	Organization is legally registered; has, and is <u>fully compliant</u> with, all required permits and licenses to operate; is aware of its tax status and is fully compliant with applicable tax, labor, occupational health and safety, environmental, and other material laws and regulations relevant to its operations.	Organization is legally registered and has all required permits and licenses to operate. Organization is aware of its obligations under its licenses and permits and applicable tax, labor, occupational health and safety, environmental, and other material laws and regulations; is in <u>substantial compliance</u> with all such legal obligations. The organization is taking (or plans to take,) corrective action where needed.	Organization has applied for legal status and is <u>not yet a legally</u> <u>recognized entity</u> in the country in which it operates. Organization has applied for and has not yet obtained one or more required permits or licenses to operate. Organization <u>is</u> <u>aware</u> of its obligations under required licenses and permits or applicable tax, labor, occupational health and safety, environmental, or other material laws and regulations.	Organization is <u>not legally</u> <u>registered</u> or registration has <u>expired</u> . Organization lacks one or more required permits or licenses to operate. Organization is <u>not</u> <u>aware</u> of its obligations under required licenses and permits or applicable tax, labor, occupational health and safety, environmental, or other material laws and regulations.

¹ Capacity refers to the ability of the organization to perform in accordance with applicable requirements: technical, operational, financial management and reporting, procurement, sub-award management, legal, policy, and other requirements of the award including any special award conditions.

² See Guidance for definitions of “Deficiency,” “Significant Weakness,” and “Weakness.” SW = Significant Weakness (es).

First Criterion: Legal Structure

CAPACITY ¹ AND RISK AREAS TO REVIEW	SCORING 4 (HIGHEST SCORE) Strong Capacity No Deficiencies or SW ² Low Risk	SCORING 3 Adequate Capacity No Deficiencies SW (if any) Remediable Before Award Low to Moderate Risk	SCORING 2 Weak Capacity Some Deficiencies and SW Not Easily Remediable Before Award Moderate to High Risk	SCORING 1 Inadequate Capacity Key Deficiencies and SW Not Remediable Before Award High Risk
1.3 Legal Structure: Confirm that the organization's charter, by-laws and other foundational/operational documents support its mission and goals.	Organization has a <u>strong organizational structure</u> , well designed and highly relevant to its mission and goals, roles and responsibilities of departments or functions and lines of communication are well-defined and highly appropriate.	Organization has an <u>adequate organizational structure</u> , adequately designed and relevant to its mission and goals, roles and responsibilities of departments or functions and lines of communication are adequately defined and appropriate.	Organization has <u>less than an adequate organizational structure</u> ; roles and responsibilities of departments or functions and lines of communication are not well defined, and the organization does not have a defined mission.	Organization has <u>no formal organizational structure</u> ; there are clearly inadequate or entirely missing definitions of departmental or functional responsibilities and lines of responsibility; lines of communication among departments or key functions are weak. The organization has no defined mission.

First Criterion: Legal Structure

CAPACITY AND RISK AREAS TO REVIEW	SCORING 4 (HIGHEST SCORE)	SCORING 3	SCORING 2	SCORING 1
	Strong Capacity No Deficiencies or SW ³	Adequate Capacity No Deficiencies SW (if any) Remediable Before Award	Weak Capacity Some Deficiencies and SW Not Easily Remediable Before Award	Inadequate Capacity Key Deficiencies and SW Not Remediable Before Award
	Low Risk	Low to Moderate Risk	Moderate to High Risk	High Risk
1.4 Governance* Confirm that the organization emphasizes the importance of and practices good corporate governance in all key areas. [Refer to <i>OECD Principles of Corporate Governance</i> : right and equitable treatments of shareholders (only used for public organizations), interests of other stakeholders, role and responsibility of the board, integrity and ethical behavior, disclosure and transparency.]	Organization's management regularly and consistently <u>emphasizes</u> the importance of and practices good corporate governance (as broadly defined) in all key areas.	Organization's management <u>addresses</u> the importance of good corporate governance in key areas, and there are a few weaknesses in one or more areas of corporate governance. Those are remediable.	There is <u>marginal involvement</u> by organization's management in addressing the importance of good corporate governance in key areas. Deficiencies and SW** in one or more key areas of corporate governance may not be easily remediable.	Management of the organization <u>does not</u> adequately emphasize and the organization does not practice good corporate governance in key areas. Deficiencies and SW in key areas of corporate governance are not remediable prior to award.
1.5 Control Environment Confirm that adequate safeguards exist within the organization to ensure fidelity to fiduciary obligations and prevent officials from obtaining financial or non-financial benefits on the basis of decisions made or actions taken in their official capacity.	Board has clear TOR** and a <u>good understanding</u> of its key functions and those key functions are carried out <u>consistently</u> well. Board term limits are defined and reasonable. Board members and officers are elected/appointed / removed in accordance with applicable laws and approved, written procedures. Organization has fiduciary risk controls covering Board members, officers, and employees; <u>effective</u> mechanisms for enforcement of such policies and controls are in place.	Board has adequate TOR and an <u>adequate understanding</u> of its key functions and those functions are carried out <u>generally</u> well. Board term limits are defined and reasonable. Board members and officers are elected/appointed/ removed in an acceptable manner. Organization has fiduciary risk controls covering Board members, officers, and employees; <u>adequate</u> mechanisms for enforcement of such policies and controls are in place.	Board has <u>incomplete</u> or otherwise inadequate TOR and lacks an adequate understanding of its key functions; key functions are carried out <u>inconsistently</u> . Board term limits are not defined or are unreasonable. No approved process for electing, appointing or removing Board members and officers is in place. Organization has <u>inadequate</u> fiduciary risk controls covering Board members, officers, and employees; there are inadequate mechanisms for enforcement of such policies and controls.	Board <u>does not have</u> TOR or a clear understanding of its key functions. Board term limits are not defined or are unreasonable. There is no approved process for electing/ appointing/ removing Board members and officers. Organization has no or <u>negligible</u> fiduciary risk controls covering Board members, officers, and employees; there are no credible mechanisms for enforcement of such policies and controls. The control environment is so deficient it presents an unacceptable level of risk.
Note: *Good corporate governance includes adequate standards of ethical conduct, internal controls, financial reporting and disclosure, well-defined roles and responsibilities of management (board members and officers), recognition of the rights and interests of stakeholders (shareholders, members, others), and measures to ensure compliance with applicable laws, codes, regulations, ordinances, permits and licenses. ** Terms of Reference (TOR) include applicable roles and responsibilities (fiduciary and management) specified by law and in the organization's charter, articles of incorporation, bylaws or other organizational documents.				

Second Criterion: Accounting/Financial Systems

CAPACITY AND RISK AREAS TO REVIEW	SCORING 4 (HIGHEST SCORE) Strong Capacity No Deficiencies or SW Low Risk	SCORING 3 Adequate Capacity No Deficiencies SW (if any) Remediable Before Award Low TO MODERATE RISK	SCORING 2 Weak Capacity Some Deficiencies and SW Not Easily Remediable Before Award MODERATE TO HIGH RISK	SCORING 1 Inadequate Capacity Key Deficiencies and SW Not Remediable Before Award HIGH RISK
<p>2.1 Banking Relationship and Accounts</p> <p>Confirm the organization has a banking relationship with a registered commercial bank in country, and that the organization has adequate policies, procedures and practices in place to ensure regular reconciliation of bank accounts with the accounting records.</p>	<ul style="list-style-type: none"> Organization has bank accounts in a registered commercial banking institution that are <u>appropriate</u> for its mission/goals. Bank accounts are accurately reconciled on a monthly basis. Documentary evidence exists to determine, review and approve monthly bank reconciliation. <i>[Note: This includes credible financial management records sufficient for internal and external audit trail purposes.]</i> Policies stipulate <u>sound</u> requirements covering regular bank reconciliation. <u>Appropriate</u> action is taken on any outstanding item over 60 days. 	<ul style="list-style-type: none"> Organization has a bank account in a registered banking institution and the account is <u>adequate</u> for its mission/goals. Opening and maintaining additional accounts limited to specific purposes may be beneficial. Bank accounts are reconciled on a monthly basis. Adequate documentary evidence exists to determine, review and approve monthly bank reconciliations. Policies stipulate <u>adequate</u> requirements covering regular bank reconciliation. <u>Adequate</u> action is taken on outstanding items over 60 days. 	<ul style="list-style-type: none"> Organization has no banking relationship, and <u>plans to establish</u> a bank account in a registered banking institution prior to an award. Bank accounts are periodically reconciled. Documentary evidence does not exist to determine, review and approve monthly bank reconciliations. Policies <u>do not</u> stipulate requirements for regular bank reconciliation. <u>Less than adequate</u> action is taken on outstanding items over 60 days. 	<ul style="list-style-type: none"> Organization has <u>no banking</u> relationship. Organization uses the bank account of a senior employee and funds are commingled with personal funds. Bank accounts are rarely or never reconciled. Overall, the organization's policies, procedures and practices in this area are not adequate.
<p>2.2 Payments - Segregation of Duties</p> <p>Confirm that the organization has policies, procedures and practices in place regarding segregation of duties to ensure that funds above a certain threshold can only be disbursed with dual signatures and are supported by documentation.</p> <p><i>[Note: the person who authorizes payment should not record the payment in the books and records, nor should they disburse the checks. Three different individuals are required, respectively, for authorization, recording, and disbursement.]</i></p>	<ul style="list-style-type: none"> There are well thought out and <u>documented</u> policies, procedures and practices that safeguard the payment process. Approved policies and procedures are <u>consistently</u> followed. 	<ul style="list-style-type: none"> Payments are supported by adequate documentation. Policies, procedures and practices may fall short of best practices. Approved policies and procedures are <u>generally</u> followed. 	<ul style="list-style-type: none"> Payments are <u>not supported</u> by complete documentation (e.g. missing vendor invoices). Adequate written financial practices (e.g. internal controls and audit) are absent or <u>deficient</u>. 	<ul style="list-style-type: none"> There are Deficiencies and SW in the payments cycle that lack proper segregation of duties. Written policies and procedures do not exist, or those that do, are clearly <u>inadequate</u>.

Second Criterion: Accounting/Financial Systems

CAPACITY AND RISK AREAS TO REVIEW	SCORING 4 (HIGHEST SCORE) Strong Capacity No Deficiencies or SW Low Risk	SCORING 3 Adequate Capacity No Deficiencies SW (if any) Remediable Before Award Low TO MODERATE RISK	SCORING 2 Weak Capacity Some Deficiencies and SW Not Easily Remediable Before Award MODERATE TO HIGH RISK	SCORING 1 Inadequate Capacity Key Deficiencies and SW Not Remediable Before Award HIGH RISK
2.3 Financial Management Personnel Confirm that the individuals responsible for discharging accounting and other financial management functions within the organization have the requisite accounting and other financial management qualifications and experience.	<ul style="list-style-type: none"> The accountant/bookkeeper has <u>professional</u> accounting qualifications that clearly meet the needs of the organization. The accountant/ bookkeeper has strong ability to apply concepts, principles and practices of management and financial accounting and reporting. The accountant/bookkeeper has <u>strong</u> technical capacity and experience to prepare and monitor appropriate budgets including cash flow projections and statements. 	<ul style="list-style-type: none"> The accountant/ bookkeeper is <u>adequately</u> trained and has adequate qualifications and experience. The accountant/ bookkeeper is able to articulate and apply basic concepts, principles and practices of management and financial accounting and reporting. The accountant/ bookkeeper has <u>adequate</u> capacity to prepare and monitor budgets including adequate cash flow projections and statements. 	<ul style="list-style-type: none"> The accountant/ bookkeeper is <u>not professionally</u> trained as an accountant and has a limited understanding of management and financial accounting standards, principles and practices. The accountant/ bookkeeper is unable to articulate and apply important concepts, principles and practices and <u>lacks</u> the technical capacity to prepare and monitor operational and project budgets. 	<ul style="list-style-type: none"> The day-to-day financial management is done by a person with neither formal accounting training nor finance related experience. The individuals responsible for discharging accounting and financial management functions <u>do not have</u> the <u>minimum</u> acceptable level of qualifications and experience needed.
2.4 Accounting Cycle - Segregation of Duties Confirm that the organization has adequate policies, procedures and practices in place to ensure proper segregation of duties associated with the accounting cycle. <i>[Note: The adequacy of segregation of duties will vary according to the size of the organization and complexity of its operation.]</i>	<ul style="list-style-type: none"> Organization has a <u>sound and well documented</u> delegation of authority system appropriate to the size of the organization to ensure that no one person does all the work relating to a full accounting cycle transaction. Organization has sound policies, procedures and practices to ensure that all approvals are documented prior to cash disbursements. 	<ul style="list-style-type: none"> Organization has an <u>adequate</u> delegation of authority system to ensure that no one person does all the work relating to a full accounting cycle transaction. Approval is usually obtained prior to disbursement of funds and approvals are adequately documented. 	<ul style="list-style-type: none"> The organization does <u>not have</u> <u>adequate</u> policies, procedures and practices in place for purposes of the award to ensure proper segregation of duties associated with the accounting cycle. Funds are disbursed without prior approvals and documentation is inadequate. 	<ul style="list-style-type: none"> Organization does <u>not have</u> the <u>minimum</u> acceptable set of policies, procedures and practices to ensure proper segregation of duties in relation to the management and disbursement of funds.
2.5 Accounting/ Bookkeeping System Confirm that the organization has an accounting/ bookkeeping system, and that financial transactions are entered into the system on a consistent basis in accordance with applicable standards, policies and procedures.	<ul style="list-style-type: none"> Organization has a <u>reliable</u> double entry accounting/ bookkeeping system that meets its needs and is otherwise appropriate. Financial transactions are entered into the system on a daily basis. The bookkeeping system has functionalities to automatically reconcile subsidiary ledger to the main ledger. 	<ul style="list-style-type: none"> Organization has an <u>adequate</u> double entry accounting/ bookkeeping system. Financial transactions are entered into the system on a regular basis. The bookkeeping system has some functionality to automatically reconcile subsidiary ledgers to the main ledger. 	<ul style="list-style-type: none"> Organization's accounting/ bookkeeping system is <u>weak</u>. Financial transactions are not entered into the system on a regular or consistent basis. The bookkeeping system lacks some functionality to automatically reconcile summaries of transactions to the detailed transactions. 	<ul style="list-style-type: none"> Organization <u>does not have</u> an adequate accounting/ bookkeeping system.
Note: For very small organizations and awards, a manual (handwritten in books) double entry accounting system may be acceptable provided it is established and used regularly and consistently in accordance with acceptable accounting principles, standards, policies, procedures, and practices and is regularly kept up-to-date, reconciled and reviewed by appropriately trained, experienced, and otherwise competent personnel.				

Second Criterion: Accounting/Financial Systems

CAPACITY AND RISK AREAS TO REVIEW	SCORING 4 (HIGHEST SCORE) Strong Capacity No Deficiencies or SW Low Risk	SCORING 3 Adequate Capacity No Deficiencies SW (if any) Remediable Before Award Low to Moderate Risk	SCORING 2 Weak Capacity Some Deficiencies and SW Not Easily Remediable Before Award Moderate to High Risk	SCORING 1 Inadequate Capacity Key Deficiencies and SW Not Remediable Before Award High Risk
<p>2.6 Chart of Accounts, General Ledger and Financial Statements</p> <p>Confirm that the organization has a chart of accounts and corresponding General Ledger that are used to prepare financial statements on a regular and consistent basis.</p> <p><i>[Note: Request the Chart of Accounts to perform a detailed review to ensure that the organization has a logical sequence of accounts, assets, liabilities and owners' equity. Confirm there is a code to capture "unallowable" costs.]</i></p>	<ul style="list-style-type: none"> Organization has a chart of accounts and corresponding General Ledger that meet its needs and are otherwise <u>appropriate</u>. The General Ledger numbering system follows statutory country requirements (if any) with no exceptions. All financial transactions are recorded regularly and consistently in accordance with approved and otherwise appropriate accounting standards, principles and practices. Financial Statements are regularly and consistently derived from the General Ledger (trial balance). Financial statements are prepared in accordance with applicable national and international standards. 	<ul style="list-style-type: none"> Organization has a chart of accounts and corresponding General Ledger that is <u>adequate</u>. The General Ledger numbering system follows statutory country requirements (if any) in all material respects. Financial Statements are derived from the General Ledger (trial balance) in an adequate manner. Material financial transactions are recorded regularly and consistently in accordance with approved and otherwise adequate accounting standards, principles and practices. Financial Statements are prepared in accordance with national standards. 	<ul style="list-style-type: none"> Organization has an incomplete and otherwise <u>weak</u> chart of accounts and General Ledger. The General Ledger numbering system does not follow all applicable statutory country requirements (if any). Financial Statements are not derived from the General Ledger (trial balance) in an acceptable manner. Material financial transactions are not recorded regularly and consistently in accordance with approved standards. Financial Statements are not prepared on a consistent basis in accordance with approved accounting standards. 	<ul style="list-style-type: none"> Organization <u>does not have</u> a chart of accounts or General Ledger or those are not adequate for purposes of the award. The General Ledger numbering system does not follow applicable statutory country requirements (if any). Financial Statements are not produced, or if produced, are not derived from the General Ledger (trial balance) in accordance with acceptable accounting standards. Material financial transactions are not recorded regularly and consistently in accordance with approved accounting standards.
<p>2.7 Financial Reporting</p> <p>Confirm that the organization has adequate written policies, procedures and practices in place to produce reliable monthly and year-to-date financial statements (income and expenditure report and balance sheet).</p>	<ul style="list-style-type: none"> Organization consistently and accurately produces <u>reliable</u> monthly financial statements from the General Ledger in accordance with its written procedures. The financial statements are reviewed by organization's management and corrective actions are taken when necessary. 	<ul style="list-style-type: none"> Organization produces reasonably <u>adequate</u> financial statements on a regular basis that meet the needs of the organization. Financial statements are reviewed by management. Management <u>generally</u> takes corrective actions based on its review of financial statements. 	<ul style="list-style-type: none"> Financial statements are seldom reviewed by management. Management <u>seldom</u> takes corrective actions based its review of financial statements. 	<ul style="list-style-type: none"> Organization <u>does not have</u> the minimum acceptable set of written policies, procedures and practices in place to produce reliable monthly financial statements (income and expenditure report).

Second Criterion: Accounting/Financial Systems

CAPACITY AND RISK AREAS TO REVIEW	SCORING 4 (HIGHEST SCORE) Strong Capacity No Deficiencies or SW Low Risk	SCORING 3 Adequate Capacity No Deficiencies SW (if any) Remediable Before Award Low to Moderate Risk	SCORING 2 Weak Capacity Some Deficiencies and SW Not Easily Remediable Before Award MODERATE TO HIGH RISK	SCORING 1 Inadequate Capacity Key Deficiencies and SW Not Remediable Before Award HIGH RISK
<p>2.8 Audit and Review of Financial Statements</p> <p>Confirm that the organization has adequate policies, procedures and practices in place to ensure that its financial statements are audited or reviewed on a regular basis by a third party recognized under the laws of the country such as a chartered accounting firm or regulatory body or both.</p>	<ul style="list-style-type: none"> Organization has appropriate policies, procedures and practices in place. Its financial statements are audited <u>annually</u> by a third party recognized under the laws of the country. Audited financial statements receive an unqualified (unmodified) audit opinion (no Qualified Opinion, Adverse Opinion, or Disclaimer of Opinion). No auditor, accountant, regulatory body or other third party has communicated any "Deficiency" or "Significant Deficiency" in internal control. Organization has appropriate policies, procedures and practices in place for managing and closing audit findings and recommendations. 	<ul style="list-style-type: none"> Organization has adequate policies, procedures and practices in place. Its financial statements are audited or reviewed on a <u>regular basis</u> by a third party recognized under the laws of the country. When financial statements are audited, a Qualified Opinion is acceptable as long as the audit issues raised are not material to financial management and pose either no or very low fiduciary or performance risk. No auditor, accountant, regulatory body or other third party has communicated any "Deficiency" or "Significant Deficiency" in internal control. Organization has adequate policies, procedures and practices in place for managing and closing audit findings and recommendations. 	<ul style="list-style-type: none"> Organization has incomplete and otherwise weak policies, procedures and practices in place. Financial statements are <u>seldom</u> audited or reviewed on a regular basis by a third party recognized under the laws of the country. Organization has received a Qualified Opinion, Adverse Opinion, or Disclaimer of Opinion. An auditor, accountant, regulatory body or other third party has communicated a "Deficiency" or "Significant Deficiency" in internal control. Management is unable to represent that no Deficiency or Significant Deficiency in internal control presently exists. Organization's policies, procedures and practices for managing and closing audit findings and recommendations are weak. 	<ul style="list-style-type: none"> Financial statements are <u>not usually</u> audited or reviewed. Organization produces internal financial statements with limited or no Notes to the Financial Statements. If Financial Statements were to be audited, an audit firm would be unable to issue an opinion due to the quality of the financial records. If audited, Organization would most likely receive, a Qualified Opinion, Adverse Opinion, or Disclaimer of Opinion. An auditor, accountant, regulatory body or other third party has communicated a "Deficiency" or "Significant Deficiency" in internal control that cannot be easily remedied. Review of the financial statements reveals "Going Concern Issues."
<p>2.9 Variance Analysis (Budget to Actual Cost)</p> <p>Confirm that the organization has adequate policies, procedures and practices in place to ensure regular variance analysis (budget to actual cost) of program and operating financial data.</p>	<ul style="list-style-type: none"> <u>Appropriate</u> financial reports are accompanied by budget data and variance analysis (budget to actual cost) reports. Program managers <u>consistently</u> review financial reports and take corrective action. The organization has <u>appropriate</u> policies, procedures and practices in place to ensure appropriate regular variance analysis (budget to actual cost) of program and operating financial data. 	<ul style="list-style-type: none"> <u>Adequate</u> financial reports are accompanied by budget data and variance analysis (budget to actual cost) reports. Program managers <u>generally</u> review financial reports and take corrective action. The organization has <u>adequate</u> policies, procedures and practices in place for adequate variance analysis (budget to actual cost) of program and operating financial data. 	<ul style="list-style-type: none"> Financial reports are accompanied by <u>incomplete</u> or otherwise weak budget data and variance analysis (budget to actual cost) reports. Program managers <u>do not have</u> the necessary knowledge, skills, and abilities to objectively review the reports and take corrective action. The organization's policies, procedures and practices for variance analysis are <u>weak</u>. 	<ul style="list-style-type: none"> Organization <u>does not have</u> any or adequate systems to analyze actual data verses budget data. Management is unable to articulate the necessity of variance analysis or to institutionalize the process. Overall, the organization <u>does not have</u> adequate policies, procedures and practices in place.

Second Criterion: Accounting/Financial Systems

CAPACITY AND RISK AREAS TO REVIEW	SCORING 4 (HIGHEST SCORE) Strong Capacity No Deficiencies or SW Low Risk	SCORING 3 Adequate Capacity No Deficiencies SW (if any) Remediable Before Award Low TO MODERATE RISK	SCORING 2 Weak Capacity Some Deficiencies and SW Not Easily Remediable Before Award MODERATE TO HIGH RISK	SCORING 1 Inadequate Capacity Key Deficiencies and SW Not Remediable Before Award HIGH RISK
2.10 Financial Records Management Confirm that the organization has adequate policies, procedures and practices in place to ensure proper filing and management of financial records and their ease of access.	<ul style="list-style-type: none"> Organization has <u>sound</u> policies, procedures and practices in place to safeguard important documents including financial records. <i>[This includes offsite storage of copies of financial records.]</i> Management emphasizes and supports <u>standard</u>, practical, efficient and effective filing and records management practices. Organization has a contingency plan for the organization that includes procedures for backup/recovery for financial and operational continuity. 	<ul style="list-style-type: none"> Organization has <u>adequate</u> policies, procedures and practices in place to safeguard important documents including financial records. <i>[The filing system is not necessarily centralized or optimal.]</i> Management supports <u>adequate</u> filing and records management practices throughout the organization. Organization has an adequate contingency plan in place for financial and operational continuity. 	<ul style="list-style-type: none"> Organization has <u>incomplete</u> and relatively weak policies, procedures and practices to safeguard financial records. <i>[The filing system operates on an ad-hoc, informal basis.]</i> Management does not require filing and records management practices. Organization has a <u>weak</u> contingency plan that has significant gaps in procedures for backup/recovery of financial data for financial and operational continuity. 	<ul style="list-style-type: none"> Organization <u>does not have</u> adequate policies, procedures and practices in place to ensure proper filing and management of financial records and their ease of access. Organization has no contingency plan that includes procedures for backup/recovery of financial data for financial and operational continuity.
2.11 Sources of Funding Confirm that the organization has other activities/programs and/or potential sources of funding adequate for continuity of operations during the period of the award and for long term sustainability. <i>[Note: This system can be as simple as having a separate bank account for each funding source.]</i>	<ul style="list-style-type: none"> Organization has an <u>effective</u> system in place to track sources of funding. Finance personnel have an <u>appropriate</u> level of professional knowledge, skills and experience in job cost accounting, fund accounting, etc. Organization has <u>good sources</u> of funding from other activities/programs and/or from other potential sources of funding. Management <u>clearly articulates</u> the importance of diversification of sources of funding. Organization has good practices in place for business development and has a reputation for <u>good</u> work. 	<ul style="list-style-type: none"> Organization tracks the sources of funding through offline records. Organization's accounting/bookkeeping system <u>adequately</u> tracks sources of funding. Finance personnel have an <u>adequate</u> level of professional knowledge, skills and experience in job cost accounting, fund accounting, etc. Organization has <u>adequate</u> sources of funding from other activities/programs and/or from other potential sources of funding. Management <u>articulates</u> the importance diversification of sources of funding. Organization has adequate practices in place for business development and it has a satisfactory reputation for <u>satisfactory</u> work. 	<ul style="list-style-type: none"> Organization <u>does not</u> have a system in place to track sources of funding. Organization's bookkeeping system tracks sources of funding through one revenue account. The level of professional knowledge, skills and experience of finance personnel in job cost accounting, fund accounting, etc. is <u>weak</u>. Organization has <u>weak</u> sources of funding from other activities/programs. Organization has weak business development practices in place. 	<ul style="list-style-type: none"> Organization <u>does not</u> have procedures in place to track sources of funding and lacks the capacity to develop and implement such procedures within a reasonable timeframe. The level of professional knowledge, skills and experience of finance personnel in job cost accounting, fund accounting, etc. is <u>negligible</u>. Organization has <u>insufficient</u> sources of funding from other activities/programs and/or from other alternative potential sources of funding.

Second Criterion: Accounting/Financial Systems

CAPACITY AND RISK AREAS TO REVIEW	SCORING 4 (HIGHEST SCORE) Strong Capacity No Deficiencies or SW Low Risk	SCORING 3 Adequate Capacity No Deficiencies SW (if any) Remediable Before Award Low TO MODERATE RISK	SCORING 2 Weak Capacity Some Deficiencies and SW Not Easily Remediable Before Award MODERATE TO HIGH RISK	SCORING 1 Inadequate Capacity Key Deficiencies and SW Not Remediable Before Award HIGH RISK
<p>2.12 Allowable and Unallowable Cost</p> <p>Confirm that the organization has adequate policies, procedures and practices in place to segregate allowable and unallowable and to otherwise satisfy donor requirements.</p> <p><i>[Note: The system can be as simple as a spreadsheet.]</i></p>	<ul style="list-style-type: none"> Organization finance/program personnel have an <u>appropriate</u> level of understanding of the concept of allowable and unallowable costs from a donor restriction perspective. Organization has an <u>appropriate</u> system to track unallowable cost. Organization has <u>effective</u> policies, procedures and practices in place to ensure clear lines of communication between finance and program staff relative to allowable and unallowable cost. 	<ul style="list-style-type: none"> Organization finance/program personnel have an <u>adequate</u> level of understanding of the concept of allowable and unallowable costs from a donor restriction perspective. Organization has an <u>adequate</u> system (formal or informal) to adequately track unallowable cost. 	<ul style="list-style-type: none"> Organization finance/program personnel have <u>weak</u> understanding of the concept of allowable and unallowable costs from a donor restriction perspective. The ability of the organization to track unallowable cost is <u>weak</u>. 	<ul style="list-style-type: none"> Organization's finance personnel or management <u>do not have</u> an adequate understanding or are unable to articulate the concepts surrounding allowable or unallowable cost. Organization <u>does not have</u> adequate policies, procedures and practices in place to segregate allowable and unallowable cost nor to otherwise satisfy other donor requirements.
<p>2.13 Direct and Indirect Costs</p> <p>Confirm that the organization's accountants/bookkeepers have an understanding of direct costs and indirect costs (including cost allocation principles).</p>	<ul style="list-style-type: none"> Organization's accountants/bookkeepers have an <u>appropriate</u> understanding of direct costs, indirect costs and cost allocation principles. Organization's accountants/bookkeepers have an <u>appropriate</u> understanding of the concept of "cost objectives" in relation to intermediate and final "cost objectives." Organization's accountants/bookkeepers have the <u>requisite level</u> of knowledge, skills and experience in this area to accurately allocate indirect cost to grants, projects, and other cost objectives according to causal beneficial relationships. Organization's skill in accumulating direct and indirect costs by project in an appropriate manner is <u>strong</u>. 	<ul style="list-style-type: none"> Organization's accountants/bookkeepers have an <u>adequate</u> understanding of direct costs, indirect costs and cost allocation principles. Organization's accountants/bookkeepers have an <u>adequate</u> understanding of the concept of "cost objectives" in relation to intermediate and final "cost objectives." Organization's accountants/bookkeepers can <u>accurately</u> allocate indirect cost to grants, projects, and other cost objectives according to causal beneficial relationships. Organization has <u>adequate</u> capacity to accumulate direct and indirect costs by project. 	<ul style="list-style-type: none"> Organization's accountants/bookkeepers have a <u>weak</u> understanding of direct costs, indirect cost s and cost allocation principles. Organization's accountants/bookkeepers have a <u>weak</u> understanding of the concept of "cost objectives" in relation to intermediate and final "cost objectives." Organization's accountants/bookkeepers ability to accurately allocate indirect cost to grants, projects, and other cost objectives according to causal beneficial relationships is <u>weak</u>. Organization's capacity to accumulate direct and indirect costs by project in an acceptable manner is <u>weak</u>. 	<ul style="list-style-type: none"> Organization's accountants/bookkeepers do <u>not understand</u> direct costs, indirect costs or cost allocation principles. Organization's accounting records are maintained by personnel with <u>negligible</u> knowledge about direct and indirect costs. The overall capacity of the organization's accountants/bookkeepers to accurately allocate indirect cost to grants, projects, and other cost objectives according to causal beneficial relationships is <u>negligible</u>. The organization <u>lacks the ability</u> to develop or acquire the minimum acceptable level of capacity in accumulating direct and indirect costs by project.

Third Criterion: Procurement Systems

CAPACITY AND RISK AREAS TO REVIEW	SCORING 4 (HIGHEST SCORE) Strong Capacity No Deficiencies or SW Low Risk	SCORING 3 Adequate Capacity No Deficiencies All SW (if any) Remediable Prior to Award Low to Moderate Risk	SCORING 2 Weak Capacity Some Deficiencies and SW Not Easily Remediable Prior to Award MODERATE TO HIGH RISK	SCORING 1 Inadequate Capacity Key Deficiencies and SW Not Remediable Prior to Award HIGH RISK
3.1 Procurement Policies, Procedures and Practices Confirm that the organization has procurement policies, procedures and practices in place that are adequate. <i>[Note: Procurement policies, procedures and practices include those relating to processes for purchasing, resolving and settling disputes and claims; safeguards and controls over assets; and related records management.]</i>	<ul style="list-style-type: none"> Organization <u>complete</u> and well documented procurement policies, procedures and practices that are appropriate to the country conditions. Organization's procurement policies, procedures and practices are known and understood by trained staff and are <u>consistently adhered</u> to, reviewed and updated as necessary. 	<ul style="list-style-type: none"> Organization has <u>adequate</u> procurement policies, procedures and practices in place that are generally appropriate given the country conditions. Any minor exceptions are easily remediable. Organization's procurement policies, procedures and practices are known to staff and are <u>generally adhered</u> to. 	<ul style="list-style-type: none"> Organization has less than adequate procurement policies and procedures and practices. In some cases, they are incomplete or otherwise <u>inadequate</u>. Organization's procurement policies, procedures and practices are not well known to staff and are <u>not consistently followed</u>. Staff <u>needs</u> additional training, and management needs to emphasize the importance of procurement procedures. 	<ul style="list-style-type: none"> Organization has no or <u>highly inadequate</u> procurement policies, procedures and practices. Staff has not received any or sufficient training in this area. Management has not emphasized the importance of this area.
3.2 Procurement and Sub-awards Confirm that the organization has adequate policies, procedures and practices in place for procurement and sub-award processes using arm's length bargaining.	<ul style="list-style-type: none"> Organization has <u>well documented and communicated</u> policies and procedures that are effective in practice, guiding appropriate sub-grant awards and management. Organization's policies, procedures and practices in this area reflect arm's length bargaining principles and avoid the potential for conflicts of interest. Employees are well trained and <u>consistently follow</u> the organization's policies and procedures. 	<ul style="list-style-type: none"> Organization has <u>adequate</u> policies and procedures that are adequately communicated and generally effective. Employees are expected to avoid conflicts of interests and achieve value for money in this area, by acting in a manner consistent with the best interests of the organization. Employees have been trained and <u>generally follow</u> policies and procedures. 	<ul style="list-style-type: none"> Organization has <u>incomplete</u> and relatively weak policies and procedure covering sub-grant awards and management. Policies, procedures and practices are <u>inappropriate</u> and may lend themselves to potential conflicts of interest and actions that are not in the best interests of the organization. Formal training in this area is non-existent or <u>weak</u>. 	<ul style="list-style-type: none"> Organization <u>does not have</u> adequate procurement and sub-award management policies, procedures and practices in place. There are <u>no</u> effective policies and procedures to prevent or detect conflicts of interest. Training, mentoring and oversight is negligible.
3.3 Compliance with Policies and Procedures – Reasonableness of Price Confirm that the organization complies with its own policies and procedures for how determinations of reasonableness are made for purchases and who in the organization is responsible.	<ul style="list-style-type: none"> Organization has well thought out, well documented, and <u>effective</u> policies and procedures that require competitive procedures and dictate how determinations of reasonableness are to be made and specify who is responsible for purchases. <u>Complete</u> and accurate supporting documentation exists to verify compliance. 	<ul style="list-style-type: none"> Organization has <u>adequate</u> policies and procedures that cover competitive procedures, how determinations of reasonableness are to be made, and who is responsible for purchases. <u>Adequate</u> supporting documentation exists to verify compliance. 	<ul style="list-style-type: none"> Organization has <u>informal</u> policies and procedures for how determinations of reasonableness are made for purchases and who in the organization is responsible. Supporting documentation to verify compliance is incomplete or otherwise <u>weak</u>. 	<ul style="list-style-type: none"> Organization <u>has no</u> policies and procedures for how determinations of reasonableness are made for purchases and who in the organization is responsible. Little or no supporting documentation exists to verify that competitive procedures are used or that determinations of reasonableness are made in an acceptable manner.

Fourth Criterion: Human Resources Systems

CAPACITY AND RISK AREAS TO REVIEW	SCORING 4 (HIGHEST SCORE)	SCORING 3	SCORING 2	SCORING 1
	Strong Capacity No Deficiencies or SW	Adequate Capacity No Deficiencies SW (if any) Remediable Before Award	Weak Capacity Some Deficiencies and SW Not Easily Remediable Before Award	Inadequate Capacity Key Deficiencies and SW Not Remediable Before Award
	LOW RISK	LOW TO MODERATE RISK	MODERATE TO HIGH RISK	HIGH RISK
4.1 Overall HR Policies and Procedures Confirm that organization has and follows HR policies, procedures and practices. <i>[Note: Depending on the size and needs of the organization, typical HR policies will cover the hiring, promotion and recognition, retention, retirement, compensation and benefits, supervision, transfer and termination of employees.]</i>	<ul style="list-style-type: none"> Organization has comprehensive, well thought out, well documented, and <u>effective</u> HR policies, procedures and practices that meets its needs and reflect best practices. Strong approaches for retaining competent staff are reviewed by management and modified to ensure effectiveness. Organization has an up-to-date and complete organizational chart and written job descriptions for all key employees; a formal benefits/compensation plan and practices that meet its needs; and sound policies and practices outlining roles and responsibilities and delegations of authority. 	<ul style="list-style-type: none"> Organization has HR policies, procedures and practices that meets its needs and are <u>adequate</u> Organization has an organizational chart and written job descriptions; adequate benefits/compensation practices; and adequate policies and practices outlining roles and responsibilities and delegations of authority. 	<ul style="list-style-type: none"> Organization has <u>weak</u> HR policies, procedures and practices that fail to satisfy all of its key needs and are otherwise not adequate. There are <u>serious gaps</u> in the organization's HR policies and practices including those related to the collection, management, use and storage of HR information. Organization <u>lacks</u> a reasonably complete organizational chart, up-to-date written position descriptions, a benefits/compensation plan, and reasonably adequate policies and practices outlining roles and responsibilities and delegations of authority. 	<ul style="list-style-type: none"> Organization <u>does not have</u> HR policies, procedures and practices (formal or informal) that satisfy its minimum level of needs and those that do exist are clearly inadequate. Organization's approach to hiring, promotion and recognition, retention, retirement, compensation and benefits, supervision, transfer and termination of employees is ad hoc, following no discernible guidelines. Organization has no organizational chart or written job descriptions; no standard benefits / compensation practices; and no discernible policies and practices outlining roles and responsibilities and delegations of authority.
4.2 Payroll System Confirm that the organization has a payroll system that is adequate for purposes of the award. <i>[Note: The payroll system can be either electronic or hard copy.]</i>	<ul style="list-style-type: none"> Organization has a well thought out, well documented, and <u>effective</u> payroll system (either in electronic or hard copy format) founded on sound payroll policies and procedures that are consistently followed. Payroll is <u>accurately</u> reconciled to the General Ledger at least monthly. Organization has and uses an <u>appropriate</u> and well documented policy on compensation (salary scales and increases) and benefits for the different types and levels of employees. 	<ul style="list-style-type: none"> Organization has an <u>adequate</u> payroll system that meets it key needs. Payroll is <u>regularly</u> reconciled to the General Ledger. Organization has and uses an <u>adequate</u> policy on compensation (salary scales and increases) and benefits for the different types and levels of employees. 	<ul style="list-style-type: none"> Organization has an <u>incomplete</u> and otherwise weak payroll system. Payroll records often contain errors. Payroll is <u>infrequently</u> reconciled to the General Ledger. Organization has <u>less than an adequate</u> documented and followed policy on compensation (scales and increases) and benefits for the different types and levels of employees. 	<ul style="list-style-type: none"> Organization <u>does not have</u> a payroll system (either in electronic or hard copy format). Organization disburses pay to employees on an irregular basis Payroll records are incomplete, and are otherwise not reliable. Payroll is <u>seldom</u>, if ever, reconciled to the General Ledger. Organization has <u>no discernible policy</u> or standard acceptable practices on compensation (salary scales and increases) and benefits for the different types and levels of employees.

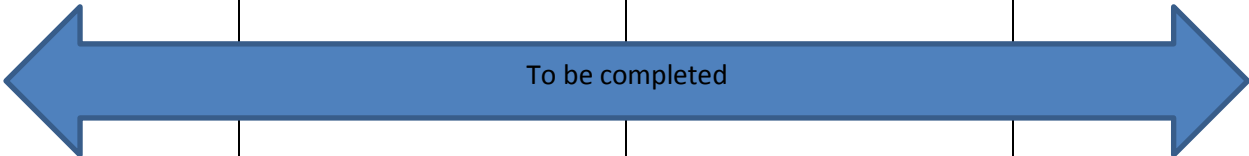
Fourth Criterion: Human Resources Systems

CAPACITY AND RISK AREAS TO REVIEW	SCORING 4 (HIGHEST SCORE) Strong Capacity No Deficiencies or SW Low Risk	SCORING 3 Adequate Capacity No Deficiencies SW (if any) Remediable Before Award Low to Moderate Risk	SCORING 2 Weak Capacity Some Deficiencies and SW Not Easily Remediable Before Award Moderate to High Risk	SCORING 1 Inadequate Capacity Key Deficiencies and SW Not Remediable Before Award High Risk
4.3 Labor Activity System Confirm that the organization has an established, reliable and documented labor activity system that it enforces (i.e., timesheets).	<ul style="list-style-type: none"> Organization has a <u>strong</u>, comprehensive, well documented, and regularly and consistently used labor activity system that properly captures, allocates and reports labor time, activities and costs. Employees <u>maintain</u> written timesheets/activity reports that reflect actual time worked on all projects as well as indirect activities. Timesheets/activity reports are signed/<u>certified</u> and approved by supervisors. Labor costs are <u>accurately</u> distributed among projects and indirect activities based on the data derived from the timesheets/activity reports. Payment of salaries and wages corresponds to the information documented in the timesheets/activity reports. 	<ul style="list-style-type: none"> Organization has an <u>adequate</u> labor activity system that adequately captures, allocates and reports labor time, activities and costs. Employees provide written timesheets/activity reports that reflect actual time worked on all projects as well as indirect activities. Timesheets/activity reports are <u>not consistently</u> signed and approved by supervisors. Labor costs are <u>generally</u> distributed among projects and indirect activities based on the data derived from the timesheets/activity reports. Payment of salaries and wages generally corresponds to the information documented. Errors or omissions are few or not material. 	<ul style="list-style-type: none"> Organization has <u>weak</u> labor activity policies, procedures and practices. Timesheets/activity reports are often based on rough <u>estimates</u> of work hours rather than actual, verifiable data. Timesheets/activity reports are <u>not consistently</u> completed nor verified and approved by supervisors. Labor costs are distributed among projects and indirect activities based on budget <u>estimates</u> or other rough estimates of work hours. Payment of salaries and wages does not consistently correspond to verifiable information derived from timesheets/activity reports. 	<ul style="list-style-type: none"> Organization <u>does not have</u> an established and appropriately documented labor activity system. Employees do not provide, sign or written timesheets/activity reports that reflect actual time worked on all projects as well as indirect activities. Timesheets/activity reports are often based on rough <u>estimates</u> or plug figures. Labor costs are distributed among projects based on unreliable estimates. Payment of salaries and wages does not consistently correspond to verifiable information provided by employees.

Fourth Criterion: Human Resources Systems

CAPACITY AND RISK AREAS TO REVIEW	SCORING 4 (HIGHEST SCORE) Strong Capacity No Deficiencies or SW Low Risk	SCORING 3 Adequate Capacity No Deficiencies SW (if any) Remediable Before Award Low to Moderate Risk	SCORING 2 Weak Capacity Some Deficiencies and SW Not Easily Remediable Before Award Moderate to High Risk	SCORING 1 Inadequate Capacity Key Deficiencies and SW Not Remediable Before Award High Risk
4.4 Travel Policies and Procedures Confirm that the organization has and follows appropriate travel policies and procedures.	<ul style="list-style-type: none"> Organization has <u>complete</u> documented travel policies and procedures. Management emphasizes the importance of <u>adherence</u> to approved travel policies and leads by example. Travel policies and procedures are understood by staff and are consistently adhered to, reviewed and monitored for compliance. 	<ul style="list-style-type: none"> Organization has travel policies and procedures that are <u>adequate</u>. Travel policies and procedures are <u>generally followed</u> in practice by management or other employees. Records are kept to verify compliance. 	<ul style="list-style-type: none"> Organization has <u>incomplete</u> travel policies and procedures. Acceptable travel policies and procedures are <u>not consistently</u> followed in practice by management or other employees. Records to verify compliance are <u>incomplete</u> and otherwise weak. 	<ul style="list-style-type: none"> Organization <u>does not have</u> adequate travel policies, procedures and practices. Practices are <u>inconsistent</u> and made on an ad hoc basis. Recordkeeping for compliance and other control and verification purposes is <u>inadequate</u>.

Fifth Criterion: Program Performance Management

CAPACITY AND RISK AREAS TO REVIEW	SCORING 4 (HIGHEST SCORE) Strong Capacity No Deficiencies or SW Low Risk	SCORING 3 Adequate Capacity No Deficiencies SW (if any) Remediable Before Award Low to Moderate Risk	SCORING 2 Weak Capacity Some Deficiencies and SW Not Easily Remediable Before Award Moderate to High Risk	SCORING 1 Inadequate Capacity Key Deficiencies and SW Not Remediable Before Award High Risk
5.1 Technical Evaluation Criteria Ground truthing/ verification of selected technical evaluation criteria as identified by TEC.				
5.2 Project Management Capacity Confirm that the organization has adequate capacity to manage and monitor projects with little donor guidance or intervention.				
	<ul style="list-style-type: none"> Organization has a <u>comprehensive</u> and well documented project management system in place to monitor progress on projects on a regular basis. Organization consistently produces <u>useful</u> project management reports. Organization has a <u>comprehensive</u> project management manual that informs and guides actual performance. Organization has a <u>sufficient</u> number of qualified project managers to meet its needs and the capacity to obtain additional qualified personnel as needed. 	<ul style="list-style-type: none"> Organization has an <u>adequate</u> project management system in place to monitor progress on projects on a regular basis. Organization's project management policies and procedures are <u>generally</u> followed. Organization produces <u>adequate</u> project management reports on a fairly regular basis. Organization has an adequate project management manual that is <u>generally</u> followed. Organization has an <u>adequate</u> number of qualified project managers. 	<ul style="list-style-type: none"> Organization has a <u>weak</u> project management system for monitoring progress on projects. Organization's project management policies, procedures and practices are <u>weak</u>. Organization produces <u>reasonably adequate</u> project management reports. Organization has an <u>incomplete</u> project management manual that is seldom used. Organization has <u>too few</u> qualified project managers for its overall purposes. 	<ul style="list-style-type: none"> Organization has an <u>inadequate</u> project management system. Organization <u>does not have</u> sufficiently qualified project management personnel.

Sixth Criterion: Organization Sustainability

CAPACITY AND RISK AREAS TO REVIEW	SCORING 4 (HIGHEST SCORE)	SCORING 3	SCORING 2	SCORING 1
	Strong Capacity	Adequate Capacity	Weak Capacity	Inadequate Capacity
	No Deficiencies or SW Low Risk	No Deficiencies SW (if any) Remediable Before Award Low to Moderate Risk	Some Deficiencies and SW Not Easily Remediable Before Award MODERATE TO HIGH RISK	Key Deficiencies and SW Not Remediable Before Award HIGH RISK
6.1 Absorptive Capacity Confirm that the organization has adequate absorptive capacity (i.e., can rise to the level of effort required to implement an additional project).	<ul style="list-style-type: none"> Organization's absorptive capacity is <u>more than adequate</u>. Given its resources, organization has the capacity to absorb the level of effort required to implement an additional project/activity. 	<ul style="list-style-type: none"> Organization's absorptive capacity is <u>adequate</u>. Given its resources and ability to obtain additional resources, organization has adequate capacity to absorb the level of effort required. 	<ul style="list-style-type: none"> Organization's absorptive capacity is <u>weak</u> for purposes of the award (i.e., the organization may be hard pressed to rise to the level of effort required to take on an additional project/activity). 	<ul style="list-style-type: none"> Organization <u>does not have</u> capacity to absorb the level of effort required to implement an additional project/activity.
6.2 Cash Flow Management Confirm the organization demonstrates good discipline in developing, monitoring and using cash flow budgets effectively and in actually managing its cash and payables in a responsible manner. <i>[Consider performing a few ratios to determine the strength and the sustainability of the organization. For instance, these may be appropriate: current ratio, acid test ratio, defensive interval or working capital.]</i>	<ul style="list-style-type: none"> Organization has <u>good</u> discipline in developing, monitoring and using cash flow budgets. Management is <u>actively</u> involved with finance personnel in daily cash flow management. Organization has a <u>good</u> history of making payments to creditors and employees on time. There are <u>no</u> material past due accounts (singly or in the aggregate). 	<ul style="list-style-type: none"> Organization has <u>adequate</u> discipline in developing and monitoring and using cash flow budgets. Management is <u>adequately</u> involved with finance personnel in daily or weekly cash flow management. Organization has a <u>reasonably satisfactory</u> history of making payments to creditors and employees on time. There are <u>no</u> material past due accounts (singly or in the aggregate). 	<ul style="list-style-type: none"> Organization has <u>weak</u> discipline in developing and monitoring and using cash flow budgets. Management is <u>not adequately</u> involved with finance personnel in daily or weekly cash flow management. Often, payments are not made on time due to fluctuations in cash inflow and outflow and weak cash management practices. 	<ul style="list-style-type: none"> Organization <u>has no or little</u> history of developing, monitoring and using cash flow budgets . Organization has <u>inadequate</u> capacity to develop, monitor, update and use comprehensive cash flow projections. Due to poor cash management practices and weak results of operation, payments to creditors and/or employee are often late and remain past due well beyond the terms of payment. There <u>are</u> material past due accounts, that are seriously delinquent.